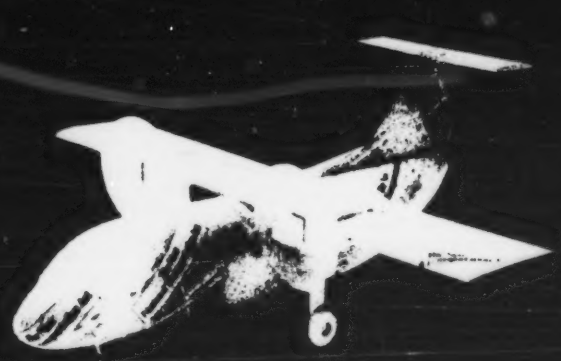
Canada

FREEDOM TO MOVE



in Canada's new transportation environment

THE NATIONAL TRANSPORTATION ACT
and
THE MOTOR VEHICLE TRANSPORT ACT

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FREEDOM TO MOVE

in a new transportation environment

THE NATIONAL TRANSPORTATION ACT
and
THE MOTOR VEHICLE TRANSPORT ACT

Foreword

With a new *National Transportation Act* and a new *Motor Vehicle Transport Act*, Canada turns a new page in transportation history. The federal government has reduced the burden of regulations for transportation — freeing airlines, railways and trucking firms to offer more innovative services at the best possible price to Canadians.

Because of the old system of regulations, created more than 20 years ago, transportation costs in Canada are higher than they need be. The new system will make Canadian transportation more efficient and more cost-effective. It will help Canadian industry become more competitive. It will support economic growth in all regions of the country.

Canada is a trading nation. We must export in order to grow and prosper in a highly competitive world economy. The new regulatory environment will foster better transportation services and prices for our producers and manufacturers. They will be able to move their products to market in the U.S. and other countries, as well as at home, at a better price. And as they sell more they will grow, creating new jobs for Canadians in all sectors of the economy.

Less regulation will also bring greater choices and competitive fares in air transportation. Canadians will be offered more flights, at more convenient times, with a variety of fares whether for business, or to visit distant families, friends or places.

The new legislation looks to the future needs of Canadians. These needs were clearly identified in an extensive round of consultations, involving all interested parties, from early 1985 through 1987. The result is a made-in-Canada transportation policy that reflects this country's unique transportation requirements.

Provisions for northern and remote community air services, for shippers captive to a single railway, for efficient, inexpensive dispute resolution — these are Canadian solutions to Canadian problems. So too are the special provisions for Canadians with disabilities. The government has maintained the

disabled travelers' right to accessible transportation and will incorporate new regulations in the future as improved accessibility standards are developed.

The new legislation provides maximum flexibility for transportation firms and users to adapt to changing needs and circumstances while protecting the public interest where necessary. To ensure the intended results occur, the new National Transportation Agency will review the operations of the legislation annually and the government will conduct a comprehensive review of the legislation within four years. In addition, Parliament will be informed each year on developments in the key area of motor vehicle safety.

Safety of the transportation system is the first priority and I am committed to it. Concerns that these economic reforms would jeopardize safety are not valid. Reforms to improve safety are being taken in every mode of transport.

Now that a Free-Trade Agreement with the United States has been established, efficient and cost-effective transportation is more important than ever before. With free trade, the movement of Canadian goods and services within our country and across the border to the U.S. markets will increase. Our transportation system now will have the flexibility to meet the challenge of the new demands arising from this historic agreement.

In summary, the new legislation gives Canadians the necessary freedom to move. With that freedom, transportation firms can respond quickly to changing market demands and offer innovative service and price packages. Consumers can take advantage of competition within the industry. Shippers of goods can get their products to market at a more competitive price. Jobs will be created in all regions of the country.

I would like to thank all those who contributed their ideas to the development of this legislation and I encourage all Canadians to take full advantage of the opportunities and benefits offered by the new freedom to move and to trade.

The Honourable John C. Crosbie, P.C., Q.C., M.P.
Minister of Transport

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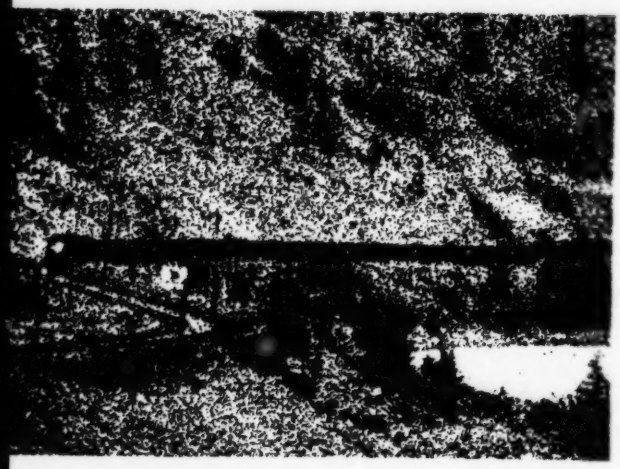
Introduction

The *National Transportation Act*, 1987, deals with the economic regulation of air, rail and water transportation. The *Motor Vehicle Transport Act*, 1987, deals primarily with the regulation of truck transportation.

Together, they represent a new approach to national transportation policy and result from one of the most comprehensive legislative and regulatory reviews in recent years.

The two Acts open the door to important, welcome changes in Canada's transportation system. The following pages outline the main points of these new laws, the reasoning behind them and the benefits they will bring to Canadian shippers, carriers, consumers and workers.

TRANSPORTATION IN CANADA



The development of transportation has traced a long, fascinating path through Canadian history — from pre-Confederation times to the jet age.

Beginning with a vision of a transcontinental railway more than 100 years ago, it leads to the present along familiar milestones such as the decades-long building of the Trans-Canada Highway, the pioneering of air transportation and the opening of the St. Lawrence Seaway in 1959.

Viewed as a continuous, gigantic undertaking, the Canadian transportation system owes its success both to the dedication of countless entrepreneurs and workers and to the capacity of governments, over the years, to make the commitments required for its development.

Transportation industries had to be nurtured along with prospects of sufficiently attractive commercial ventures. Government policy therefore followed a route of granting monies for construction of the transportation system — airports, seaports and the Trans-Canada Highway, for example. It also protected burgeoning industry from competition, allowing monopolies to be formed, while maintaining a strong, regulatory upper hand.

Those conditions still applied to a large extent when the first *National Transportation Act* was passed by Parliament in 1967, based largely on the recommendations of a Royal Commission (MacPherson) of the early 60s. Its rules and regulations were still designed to help the industry mature by limiting competition.

Since then, air traffic has tripled, with a much wider diversity of air services becoming available. Trucking has flourished. Railways offer more specialized freight services. Services involving several different modes of transportation are more common. The needs of shippers have become more complex and more varied.

In short, much has changed during the last 25 years; the transportation industry has changed; the needs of shippers and travellers have changed and the economy has changed.

Although Canada has a small population, it is the second-largest country in the world. Transportation ties it all together. Canadians have conquered the sheer size of their land with a sophisticated network of transportation — thousands of kilometres of roads, railways, waterways and airline routes. Today we take this network for granted, but we depend on it to keep the country moving.

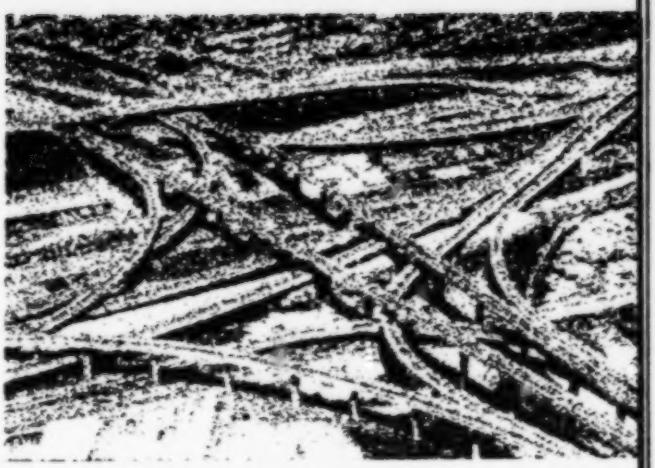
Transportation is the cornerstone of any modern, industrialized society and it plays an especially important economic role in Canada. Agricultural products and raw materials must be shipped long distances for processing. Manufactured products, in turn, must be shipped to customers in distant parts of the country. Therefore, an efficient transportation network is essential for the economic well-being and development of Canada.

Transportation affects everyone — manufacturers shipping goods and ordering supplies, consumers buying household products and travellers visiting distant relatives or flying for business.

Transportation is an important item in the calculation of the cost-of-living index because its costs affect the standard of living of all Canadians. Manufacturers must include these costs in the final price of their product. So, if transportation costs are high, consumers pay a higher price for things like groceries, housing and appliances.

The cost of transportation can also make all the difference in the competitive pricing of Canadian products in their markets abroad. As a trading nation, Canada has achieved prosperity by selling raw materials and manufactured goods in foreign markets.

Because the economy depends so much on transportation, future growth and prosperity will depend heavily on our capability to meet future transportation demands.

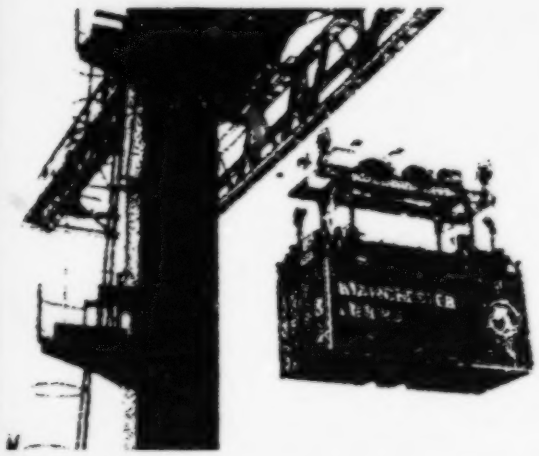


Every day, 140 000 Canadians travel between cities by bus, rail or air. Every day, Canadian trains, trucks and ships move almost two million tonnes of freight to market.

Canada has 1 346 licensed airports, 10 of which handle 80 per cent of all traffic. Yearly, 25 large, deep-water ports and 476 smaller harbors and government wharves handle 327 million tonnes of commodities; 95 670 km of track help move 284 million tonnes of freight and trucks of all sizes carry 239 million tonnes of goods on our 841 000 km of highways and roads.

Airlines, shipping lines, railways, trucking firms and bus lines earn more than $48 billion a year and provide direct and indirect employment for more than one million Canadians. Investments by non-government interests in transportation total $114 billion and government investments, $46 billion.

CHANGING COURSE



Transportation Safety

The *National Transportation Act* declares safety to be the first priority and action to improve Canada's already excellent safety record is being taken in all modes of transport.

Here are a few of the initiatives taken:

— Amendments to the *Aeronautics Act* giving Canada its best aviation safety legislation in 60 years;
— a National Safety Code for tougher, uniform bus and truck safety standards;
— extensive, new regulations under the *Transportation of Dangerous Goods Act*, enforced by more, highly-specialized inspectors;
— amendments to the *Canada Shipping Act* and updated Arctic Shipping Pollution Prevention Regulations to enhance marine safety;
— legislation for a new, independent board to investigate air, rail and marine accidents; and
— a new *Railway Safety Act* to consolidate and modernize outdated safety regulations.

In 1984, Cabinet identified the complete overhaul of national transportation policy as one of its first goals.

Many regulations appeared to have become obstacles to growth, innovation and competitiveness in Canadian transportation. Removing those obstacles, while protecting the public interest, became a priority in the government's national agenda for economic renewal.

Within a few months the government launched a nation-wide round of consultations to bring transportation regulations in line with the needs of industry and users.

In February 1985 it reached an agreement with provincial governments on the reform of trucking regulation. This agreement became the basis for the new *Motor Vehicle Transport Act*, 1987.

In July 1985 the government outlined its proposals for a new *National Transportation Act* in a position paper titled "Freedom to Move: a Framework for Transportation Reform." Modified after extensive study and comment, both in and out of Parliament, these proposals were passed into law, and came into effect on January 1, 1988.

The new *National Transportation Act* and *Motor Vehicle Transport Act* establish a new direction for transportation in Canada. This direction was seen as important enough to warrant a "declaration of national transportation policy" in the Act itself.

Here are its principles and objectives:

- A safe transportation system is the top priority.
- The purpose of Canada's transportation system is to serve the needs of shippers and travellers.
- Competition and market forces are the best means for providing Canadians with efficient transportation at the lowest possible cost.
- Regulations should be simple and kept to a minimum to encourage competition within the transportation industry.
- Transportation is recognized as a key to regional economic development.
- Carriers should bear a fair and reasonable share of the costs of facilities provided at public expense and be compensated for publicly-imposed duties.
- Access to transportation is a basic necessity for Canadians, including travellers with disabilities. Carriers should ensure that no undue obstacles are created that prevent access to transportation.

Regulations have been removed or modified to stimulate competition within the industry, allowing a high degree of innovation as transportation firms take the opportunity to provide new, improved services to their customers.

Under the old regime, innovation entailed long and costly procedures to amend licence conditions. Antiquated public hearing procedures forced disclosure of original marketing proposals to potential competitors.

The benefits of new rules are already apparent in air transportation because changes had been gradually implemented to the extent possible under previous law. Airlines have added new routes to their service. They have introduced more efficient aircraft and more innovative pricing arrangements for their customers. New airlines have entered national and regional markets.

Similar changes have occurred in the trucking industry as regulations have been gradually relaxed during the past several years.

The new legislation simplifies air and truck transportation regulation even more and introduces changes to the regulation of rail and truck transportation. Costly, time-consuming rules and regulations in the air and trucking industries have been removed. Rail shippers are given much greater opportunities to negotiate prices and terms of service with the railways.

Ultimately, all Canadians will benefit from a more competitive transportation industry; those who ship goods will benefit from better services and lower rates. Consumers of goods will benefit from lower transportation costs; the total gain for Canada's economy, in personal income and new jobs, will be significant.

As transportation companies become more competitive and costs decline, their customers also will become more competitive. New marketing opportunities will arise and more products will be sold at home and abroad. In turn, the demand for transportation services will increase. New jobs will have to be filled.

The new legislation will make it easier for transportation to keep in step with economic growth in every industrial sector and in all regions.

Coast to coast. . . .

British Columbia is the most difficult province in Canada in which to build a road or railway. Most of them, not surprisingly, follow narrow river valleys across the southern, most populous half of the province. Roads and railroads enter the province by only four passes through the Rockies: Crowsnest, Kicking Horse, Yellowhead and Pine.

Eighty per cent of the 2 437-km Alaska Highway passes through Yukon. Most settlements have an airport and scheduled service reaches many communities including Dawson, Mayo, Watson Lake and Whitehorse. There is no railway service or commercial water transport in Yukon.

In Alberta buses, an "airbus" service of Canadian Airlines International and a four-lane, 288-km expressway serve the busy Calgary-Edmonton corridor. International airports are located at Edmonton and Calgary. CN and CP Rail carry almost all Alberta grain east to Thunder Bay, Ont., and west to Vancouver and Prince Rupert, B.C., to international markets. Calgary-based Greyhound Lines of Canada Ltd. is Canada's largest bus service.

Saskatchewan has the longest network of municipally administered roads in Canada, vital to farmers to truck grain to local elevators, and a 4 000-km railway link to international markets. Air transport is the chief means of transport in the northern half of the province.

FREEDOM TO MOVE

Regulations for international air services are governed largely by international agreements and are not significantly affected by the new legislation.

The Minister of Transport can direct the Agency to respond to air-service actions of foreign governments or airlines considered prejudicial to Canadian interests.

The *Western Grain Transportation Act* provides specific protection for the Prairie grain network of rail lines. That protection is not affected by the new legislation.

The new legislation presents an orderly reform of rules and regulations in key areas of transportation. A National Transportation Agency, created under the new legislation, will act as the federal government's referee of Canadian transportation. It replaces the Canadian Transport Commission. Administering the new *National Transportation Act* will be its prime responsibility. Details of its role and mandate are found throughout the following pages.

Here are the highlights of the new Acts:

Air Transportation

Airlines wanting to offer a new domestic air service already find it much easier to do so. In the past, airlines big or small had to show that the new service was required for "public convenience and necessity."

Now, except in Northern Canada, they need only show that they are "fit, willing and able" to provide the service. Basically, this means that they must demonstrate an ability to operate a safe air service with proper insurance coverage. In most cases, the firm must also be Canadian-owned or -controlled.

In the past, licences to provide a service limited competition by placing conditions on routes, destinations, flight schedules, fares and equipment. Licences are no longer subject to such conditions.

Airlines will also find it easier to discontinue or reduce service on routes that are not profitable. They need only give 120 days' advance notice of their intention to stop or significantly reduce an air service.

More competitive passenger fares and cargo rates are encouraged by permitting carriers to establish fares, rates and charges without regulatory approval and by allowing them to negotiate confidential contracts with their customers.

To protect the public on routes where an airline has a monopoly on air service, increases in passenger fares can be appealed and if they are unreasonable, disallowed or reduced, with refunds where practicable.

Rail Services

The new legislation introduces major changes in the way railways operate. These changes concern three main areas: freight rates, access to rail services, and railway lines.

Freight Rates

In the past, railway companies had the right to discuss and set their rates collectively. This right reduced competition between companies and it has been abolished.

Shippers now can negotiate confidential contracts with individual railways. This means they can shop for the rates and conditions of service which best suit their needs. Both shippers and railways have more freedom to develop innovative rate and service arrangements.

This will enable Canadian railways to compete effectively with U.S. railroads for transborder traffic.

All rail rates must be "compensatory" — they must cover the variable costs of carrying the particular shipment. This condition prevents railways from adopting "predatory" rates designed to drive a competitor out of the market.

Confidential contracts must be filed with the new National Transportation Agency and summaries of their non-confidential components will be published.

Switching over to the competition

Many shippers are located in an area served by just one railway, so they are "captive" to that railway. They cannot benefit from the new competitive environment unless they can reach the lines of a competing railway.

In the past, shippers were guaranteed the right to "interswitch" freight cars from one railway to another, provided that this was done within 6.4 km (four miles) of the shipment's origin or destination. The interswitching limit, originally set at four miles in 1908, has been extended to 30 km (18 miles).

Shippers located beyond this limit may ask their local railway for a competitive line rate. This is a special rate charged by the railway for moving a shipment to or from the lines of a competing railway. If an agreement cannot be reached, the shipper may ask the National Transportation Agency to establish a competitive line rate according to a formula included in the Act.

The government will monitor the effect of competitive line rate provisions on the financial viability of Canadian railways and will suspend their application if necessary.

Railway Lines

Railways and their customers now have more options for dealing with an unprofitable rail line and the procedures to be followed in such instances have been streamlined.

The new legislation makes it easier for a railway to sell a rail line to an independent operator who will run it as a smaller, short-line service. This will encourage the conversion of lines into more specialized, cost-effective operations. In addition, financial assistance may be available for shippers, municipalities, provincial governments or other groups to develop alternative means of transportation.

If a rail line has economic potential, the Agency may order the railway to continue operations on a subsidized basis, subject to a review after three years. Otherwise, the line may be abandoned, with or without a delay of up to two years to allow a smooth transition to an alternative service.

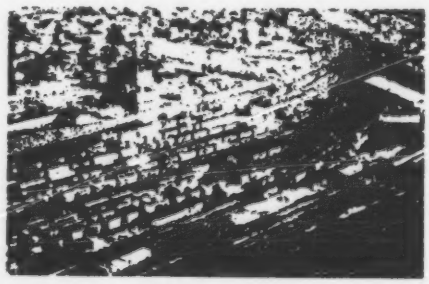
The Agency may also make recommendations to the Minister of Transport regarding the transfer or connection of a line or the exchange of running rights, thereby giving the line in question a means of becoming profitable.

Coast to coast. . . .

Almost all communities in the Northwest Territories have air transport. The CN-operated Great Slave Railway runs 696 km to Hay River and Pine Point Mines, N.W.T., from Grimshaw, Alta.

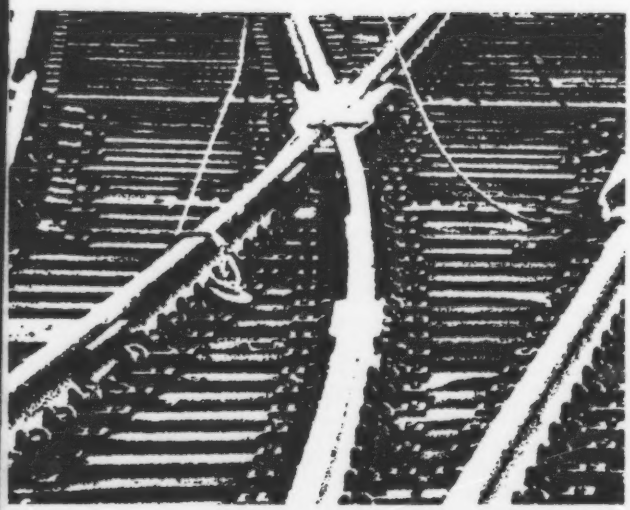
Commercial water transport in the Northwest Territories operates on the Mackenzie River and between Spence Bay and the Alaska border during the Western Arctic's brief summer.

Winnipeg, a historic, central hub for transcontinental transport, has an international airport served by all major carriers. CP Rail, CN Rail and VIA Rail Canada Inc. have extensive maintenance facilities and marshalling yards in and around the city. Rail and road link main mining centres of northern Manitoba and Churchill, a major grain port and eastern Arctic supply base, is linked to the south by a CN Rail line.



Canada's most populous province, Ontario, has the most extensive and busiest transportation infrastructure. It also has the most licensed airports — 367 — including the busiest, Lester B. Pearson International at Toronto. There are 13 300 km of mainline track. The navigable water system includes part of the St. Lawrence Seaway and the Trent-Severn and Rideau Canal recreational waterways.

About 1 600 km of the St. Lawrence Seaway link Montreal to the Atlantic Ocean. Quebec has 170 000 km of roads and highways concentrated on the South Shore of the St. Lawrence. Railways include CN and CP mainlines and a regional railway on the North Shore to Labrador. Montreal International Airport has two self-contained terminals at Dorval and Mirabel.



Canada's first transcontinental railway, CPR, observed its "Last Spike" centenary in November 1985 at Craigellachie, B.C.

CNR, the longest railway in North America, was formed in 1917-1923 by the amalgamation of three financially-troubled railway systems. In 1937, CNR helped organize the formation of Trans-Canada Airlines (now Air Canada).

Some 26 000 for-hire trucking firms have annual operating incomes of $10 000 — $100 000; 6 720 others earn $100 000 or more. Small, five- to 14-vehicle private carriers are the most numerous in Canada — there are almost 70 000 of them. Most truck traffic is regional: only six per cent of for-hire truck tonnage and one per cent of private tonnage move beyond a home radius of 1 000 km.

Nevertheless, in cases where a line is clearly uneconomic and is likely to remain so, the line will be abandoned.

A railway must give 90 days' notice of its intention to abandon a line. Shippers and interest groups have 60 days to file any objections and the National Transportation Agency must make a decision on the application within six months.

To protect shippers and the public, railways cannot abandon more than four per cent of their lines each year until after 1992. If abandoning a rail line would affect a large region of Canada, with severe consequences for Canadian shippers, the government can order the railway to continue operations.

Road Transportation

The federal government has authority to regulate "extra-provincial" trucking and passenger bus firms which offer transportation services that cross provincial borders.

Since passage of the first *Motor Vehicle Transport Act* in 1954, however, this authority has been delegated to the provincial governments. Over the years, each province has developed a different approach to regulating the trucking industry, making it more difficult for the industry to meet the needs of shippers.

While regulatory authority remains delegated to the provinces, the federal and provincial governments have agreed to introduce a more uniform approach to trucking regulation. Under the new *Motor Vehicle Transport Act*, trucking regulations have been simplified and streamlined. The need for truckers to obtain approval for extra-provincial rates will be eliminated.

As a result, truckers will benefit from significant savings in time and costs. And shippers will benefit from more competitive rates and a wider choice of trucking services.

The legislation provides standard, nation-wide procedures for obtaining a trucking licence. These procedures are based on a new "fitness" test. Applicants must show that they can conduct operations safely and that they have proper insurance coverage.

The old test of "public convenience and necessity" required an applicant for a new licence or route to prove the new service was required. During a five-year transition period, persons objecting to a licence application in the name of public interest may appeal to the appropriate provincial or territorial transport board. After 1992, only the fitness test will apply.

The federal and provincial governments have also developed a National Safety Code for bus and truck transportation. The Code provides minimum standards and practices governing the vehicle, the driver, hours of work, road security and company requirements for accident reporting and record keeping.

Key components of the Code were in place when the new Motor *Vehicle Transport Act* came into effect. All its elements will be in place by the end of 1989, well in advance of January 1, 1993, when the fitness test will become the only licensing requirement. At the same time, special conditions now placed on licences, such as route restrictions, will be eliminated.

In the event a foreign government discriminates against Canadian truckers, the federal government may take retaliatory action.

Transportation in the North

Northern and remote communities have transportation needs that are quite different from those of more populated regions. Transportation is literally their lifeline. An interruption in service inevitably means severe hardship.

Many communities depend on the services of relatively few transportation firms. Normal market conditions do not apply. The new legislation recognizes this and contains special provisions for northern air and marine transportation.

Northern Air Transportation

The new legislation gives northern and remote communities the benefits of increased competition and improved productivity, while allowing a greater degree of economic regulation than in other areas of Canada.

Firms that want to provide a new air service in the North must meet the standard "fit, willing and able" test. In addition, persons objecting to the new service will have the opportunity to voice their concerns. If they can show that it would significantly decrease the level of existing services or put them in jeopardy, the new service will not be allowed.

Licence stipulations on the type of service offered, the routes and destinations served and the size of aircraft used will still apply for northern air services.

Basic fares and fare increases on routes serving Northern Canada can be appealed and will be rejected if found unreasonable.

Coast to coast. . . .

CP Rail's eastern terminus is at Saint John, N.B., a major port with year-round service for containerized and bulk traffic. There are 10 other ports on the New Brunswick coast. Marine Atlantic ferries carry passengers, vehicles and freight from Cape Tormentine to Borden, P.E.I., year-round. Important regional airports are at Fredericton, Moncton and Saint John.

A plan to build a 14 km, fixed-link crossing between Prince Edward Island and New Brunswick was announced in the fall of 1987. In a January 1988 Island plebiscite, 60 per cent of voters indicated support for the proposed project which continues to be of major interest in the Atlantic region. P.E.I.-mainland ferry service is guaranteed under the Articles of Confederation *of 1867.*

Halifax, a full day closer to Europe than any other North American port, has large container terminals at the north and south ends of the harbor. The international airport, 10th-busiest in Canada, is a regional hub for Air Canada and Canadian Airlines International. Marine Atlantic ferries connect the province with New Brunswick, Newfoundland and New England.

Ferry services between Newfoundland and the mainland and coastal shipping to Labrador are guaranteed under the 1949 Terms of Union. *More than a third of Newfoundland's tourists arrive by ferry each year. Newfoundland's highways include the eastern-most 900 km of the Trans-Canada Highway. The first transatlantic flight was made from St. John's to Clifton, Ireland, in June 1919 by Alcock and Brown.*

More than 40 Arctic communities with permanent populations of 150-900 have had airports built or rebuilt under an $80-million program involving the federal departments of Transport, Indian and Northern Affairs, Environment and National Defence. These community-operated airports are staffed by local residents trained to clear runways, take weather readings and provide radio communications for aircraft.

Communities are protected from losing an air service when it is their only effective means of transportation. If an essential air service, operating when the new legislation came into force, can no longer be provided on a purely commercial basis, the Minister of Transport may arrange financial assistance to keep the service running.

Where feasible, recipients of this assistance will be selected by public tender.

Northern Marine Transportation

Marine services to resupply northern communities continue to be regulated but in a simplified and streamlined manner. Northern communities and shippers now have a greater opportunity to voice their concerns over applications for new marine services. New services will not be allowed if they would significantly decrease the level or stability of transportation available.

Licences will be issued for an indefinite term and they will be based on total fleet capacity rather than the capacity of individual vessels. This will give shipping firms more flexibility in choosing the vessel best suited for each shipment and in transferring equipment from one operator to another.

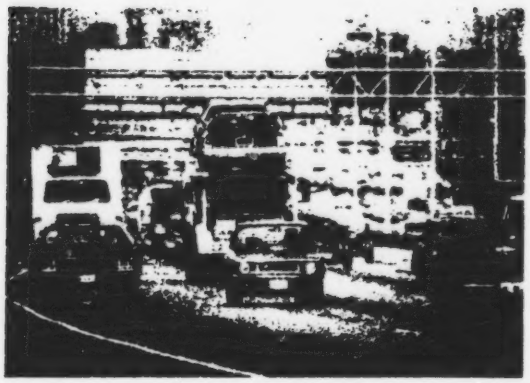
Access for Travellers with Disabilities

In recent years, improvements have been made in guaranteeing access to air transportation for disabled travellers. The new legislation acknowledges the special needs of travellers with disabilities and provides the means of improving further their access to transportation facilities and services.

The legislation states that transportation services must be offered without undue obstacles to public mobility, emphasizing access for disabled persons. The Transportation of Disabled Persons Implementation Committee made recommendations to the minister in this regard.

The new National Transportation Agency can assess, after receiving a complaint or on its own initiative, the way a transportation service is provided. If it finds that an undue obstacle exists for disabled persons, it can order that obstacle to be removed. It can also order the operator to pay compensation.

KEEPING ON TRACK



Fourteen major industry associations representing a broad cross-section of resource, manufacturing and merchandising interests account for more than $150 billion in annual sales. Their annual freight transportation costs for truck, rail, marine and air exceed $15 billion annually. Transportation in Canada is six per cent of the GNP. This is higher than many countries with whom we compete.

As the new approach to regulation gradually takes effect, it will create a far more dynamic, competitive transportation marketplace. Special efforts will be needed to monitor developments in this marketplace and to keep the new regulations on track.

The legislation contains a number of administrative provisions to help the new environment develop fairly and equitably, identify potential problems and protect the unique needs of Canadians.

Some of these provisions are:

The National Transportation Agency

The powers of the new National Transportation Agency are tailored to the new regulatory approach. They have been designed to ensure responsiveness to public interest, industry needs and policy direction from the government. The legislation calls for the Agency to establish regional offices in Western Canada and the Atlantic Provinces.

The Agency has authority to grant transportation licences, review public complaints and help resolve disputes between shippers and transportation firms.

In most cases, the Agency can take action only on request. In keeping with the emphasis on minimal regulation, it is intended to respond to problems rather than seek them out.

When making administrative decisions, the Agency is to apply the basic principles that underlie the new legislation. It will be guided by the need to encourage competition and efficiency within the transportation industry while protecting the public interest in a safe, adequate transportation system.

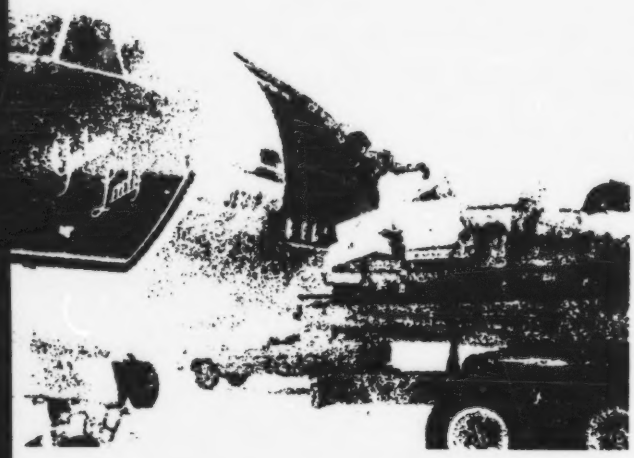
The Minister of Transport is accountable to Parliament for national transportation policy and for the actions of the Agency. The government may issue general policy or other binding directions to the Agency and may alter any decision, order or regulation made by the Agency. Questions of law or jurisdiction may be appealed to the Federal Court.

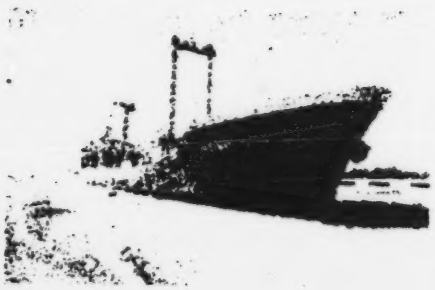
Resolving Disputes

One of the most important functions of the new Agency is to resolve public and private disputes affecting the transportation industry. It offers a variety of services to help resolve private disputes between shippers and transportation firms.

At the request of both parties to a dispute, it offers voluntary mediation services as a quick, inexpensive way to resolve differences over rates and conditions of service. The process is not binding and all information provided to the mediator remains confidential.

If a voluntary agreement on rates or conditions for the movement of goods cannot be reached, a shipper may submit the dispute





to "final-offer arbitration." An independent arbitrator, appointed by the Agency, considers the shipper's final offer and the transportation firm's final offer. The arbitrator must choose between the two offers without making any changes. The decision is binding on the parties for up to one year and cannot be appealed. Refunds with interest may be ordered.

The Agency is also authorized to investigate issues affecting the public interest as defined by the new legislation. On receiving a complaint, the Agency may examine the rates charged by a transportation firm or any actions of the firm where the public interest may be prejudiced.

If a rate is found to be excessive, the shipper involved is entitled to a refund with interest. However, a shipper who requests an investigation in the public interest cannot also ask for final-offer arbitration.

Mergers and Acquisitions

In a dynamic transportation sector there are continual changes in ownership and control as companies expand, merge, or buy other companies.

The National Transportation Agency is responsible for reviewing any major mergers or acquisitions of federally-regulated transportation companies to ensure that they are in the public interest.

A "major interest" in a company is defined as 10 per cent of the voting shares or substantially all of the company's assets. Anyone who plans to acquire a major interest in a federally-regulated transportation business with Canadian assets or annual sales of $10 million must first notify the Agency.

If a foreign firm proposes to acquire an interest in a Canadian business, an initial review may be required under the *Investment Canada Act*. The new *Competition Act* also applies to transportation firms.

Responding to Change

The federal government will monitor the effects of the new legislation to ensure that it is operating in the way intended.

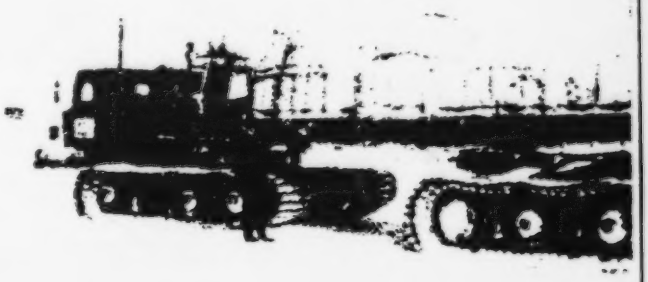
The National Transportation Agency will conduct an annual review of the legislation for each year from 1988 to 1991 and report to the Minister of Transport. In 1992, the government will prepare a comprehensive report on how the legislation is affecting shippers, travellers, transportation firms, trade and regional development. This report, as well as the annual reports, will be tabled in Parliament.

The new licensing procedures for extra-provincial trucking are being phased in over a five-year transitional period. At the end of the fourth year, the Minister of Transport will undertake a review of these procedures. If the review identifies serious problems the government may, in consultation with the provincial governments, extend the transition period.

For the years 1988 to 1993, the Minister of Transport will also table annual reports in Parliament on the new National Safety Code and on extra-provincial bus and truck accidents. These reports will help Parliament keep track of the key areas of bus and truck safety.

Commodity Pipelines

The legislation also governs safety and environmental protection of "commodity pipelines" — systems that carry liquid mixtures of such things as minerals or organic products, even steam, for short distances across provincial or international boundaries. If a major commodity pipeline is ever built, provisions are included to protect shipper and carrier interests.



Transport Canada

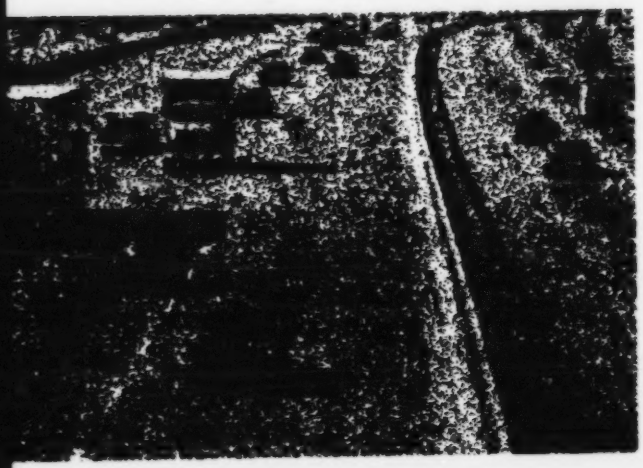
The federal Department of Transport's primary responsibility is to ensure safety. It does so through activities such as:

— Providing air and marine navigational assistance, including air traffic control and icebreaking;
— making and enforcing safety regulations for airlines, marine shipping firms and motor vehicle manufacturers. Rail safety remains a responsibility of the new Agency; and
— coordinating airport security measures.

The department also operates many airports, finances ferry services, port operations and some provincial highway improvements, negotiates international air agreements with other countries and advises the Minister on all policy matters.

The corporate structure of Transport Canada is also comprised of Crown corporations with varying degrees of autonomy, such as the St. Lawrence Seaway Authority and Ports Canada. Other Crown corporations, such as Air Canada, Canadian National and VIA Rail Canada Inc., report to Parliament through the Minister of Transport.

MOVING INTO THE FUTURE



On average, transportation costs add about about six per cent to the final price of Canadians products. For resource products such as coal, pulp, paper and potash, they add about 20 per cent to the final price. In some cases, transportation costs add as much as 50 per cent to the final price of coal exports.

As Canada moves into the 1990s and the 21st century, it must prepare to face new challenges and new opportunities. Transportation will have a central role to play

In a country the size of Canada, the demands placed on transportation will become greater than ever before. An effective national transportation policy must look to the future and develop a safe, efficient and economic transportation system that will respond to future needs.

Transportation and Free Trade

Canada and the United States are one another's most important trading partner. The Free-Trade Agreement with the U.S. will generate economic growth in all regions. Canadian businesses, workers and consumers will benefit from lower prices, increased prosperity and new jobs.

Some provisions in the agreement will have a direct effect on Canadian transportation. For example, customs tariff reductions on new and used transportation equipment, the elimination of U.S. customs user fees, easier temporary access for those travelling on business and improved tourist arrangements will directly benefit Canadian transportation firms.

There will be an increased demand for Canadian transportation services. Trade between the two countries will rise, resulting in much greater freight and passenger traffic both within Canada and across the border. Canadian transportation firms will find new opportunities to expand in response to increased demand.

The new transportation legislation will provide the flexibility these firms will need to respond. By reducing the burden of regulation on air, rail and trucking companies, the legislation will stimulate greater innovation and more competitive services. This will contribute to making our shippers and manufacturers more competitive at home and in the world marketplace.

A World of Opportunity

While trade with the U.S. is important, it is not the only direction from which new challenges and opportunities will come.

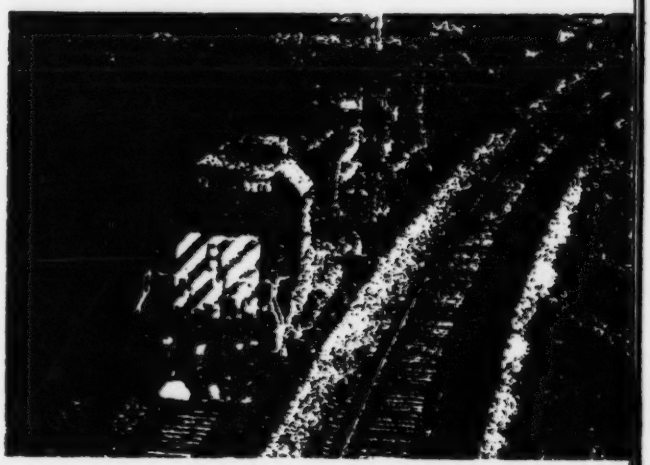
The world economy is rapidly changing and as patterns of international trade continue to shift, Canada is strengthening its trading relations with Pacific Rim nations, with Europe, and throughout the world. As a result, even greater demands will be placed on Canadian transportation.

At the same time, competition from other countries will continue to increase in the future, bringing new pressures to improve efficiency and to reduce our transportation costs.

Science and technology will also bring new opportunities. Sophisticated developments in technology are revolutionizing Canadian industries. They will inevitably affect the transportation sector.

The government is preparing Canada's transportation system for the realities of tomorrow. The new *National Transportation Act* and *Motor Vehicle Transport Act* provide the environment for creative innovation in transportation.

Transportation firms now have the freedom they need to respond to new demands. Shippers have the freedom they need to seek out the most competitive transportation services available. Canadians have the freedom they need to move into the future.



Recent discoveries in "superconductors" — new materials that can transmit energy with 100-per-cent efficiency — have created visions of entirely new modes of cheap, rapid transportation. Today, these are just visions; but in our day and age, visions can become reality very quickly.

A series of pamphlets outlining key features of the *National Transportation Act* and the *Motor Vehicle Transport Act* may be obtained from:

The Secretary
National Transportation Agency
Ottawa, Ontario
K1A 0N5

Telephone: (819) 997-0344

or

The Director
Motor Carrier Policy and Programs
Transport Canada
Place de Ville,
Tower 'C'
Ottawa, Ontario
K1A 0N5

Telephone: (613) 998-1915

The series includes:

1) The New Framework for Rail Transportation
2) Rail Network Rationalization
3) Rail Rate Pricing and Competitive Access
4) A New Framework for Air Transportation
5) Air Transportation in Northern and Remote Areas
6) Northern Marine Resupply
7) Assistance for Travellers with Disabilities
8) Mergers and Acquisitions
9) Dispute Resolution
10) The new *Motor Vehicle Transport Act*

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